Missouri Housing Development Commission

Accountants' Report and Financial Statements

June 30, 2011 and 2010

Missouri Housing Development Commission
June 30, 2011 and 2010

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

The Commissioners
Missouri Housing Development Commission
Kansas City, Missouri

We have audited the accompanying balance sheets of Missouri Housing Development Commission (the "Commission") as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

September 16, 2011

Missouri Housing Development Commission
Management's Discussion and Analysis
June 30, 2011 and 2010

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2011, and June 30, 2010. Please read it in conjunction with the Commission's financial statements and accompanying notes.

Introduction – Missouri Housing Development Commission

The Missouri Housing Development Commission (the "Commission") was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri. The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission sells tax-exempt and taxable bonds and notes, for the purposes of financing owner-occupied residential mortgage loans for lower- and moderate-income persons and providing construction and long-term financing for rental developments to be occupied by lower- and moderate-income persons. The Commission's net assets are also a source of funding for such loans and other housing-related programs.

The Commission conducts other programs related to its housing finance activities, including administering the Missouri Housing Trust Fund, the Missouri Affordable Housing Assistance Program and the federal and state housing tax credits for the state of Missouri. The Commission also administers federal grant programs, including the HOME Investment Partnership Program and contracts for the Project Based Section 8 program, which provides rental subsidies.

Overview of the Financial Statements

This annual financial report consists of three parts: Management's Discussion and Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. The Commission is a self-supporting entity and follows enterprise fund reporting, using the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Commission.

2011 Financial Highlights

- Total assets were $2.38 billion, a decrease of 2.5% from June 30, 2010.
- Fiscal year 2011 mortgage investment purchases and originations totaled $294.4 million as compared to $287.5 million in fiscal year 2010.
- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled $110.7 million in fiscal year 2011 and totaled $438.9 million in fiscal year 2010.
- Total revenues were $323.0 million in fiscal year 2011, a decrease of 1.28% from fiscal year 2010. Excluding the net change in fair value of investments, total revenues were $319.4 million in fiscal year 2011, representing an increase of 15.7%. Revenues from federal programs were $216.5 million in fiscal year 2011 as compared to $166.5 million in fiscal year 2010. Fiscal year 2011 federal programs include $76.1 million in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009.

- Net operating income, excluding the net change in fair value of investments, was $33.8 million in fiscal year 2011 as compared to $36.1 million in fiscal year 2010.

- Net assets increased $37.3 million (5.8%) as of June 30, 2011. Excluding the change in fair value of investments, net assets increased $30.6 million (5.5%) as of June 30, 2011.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

2010 Financial Highlights

- Total assets were $2.44 billion, an increase of 5.6% from June 30, 2009.

- Fiscal year 2010 mortgage investment purchases and originations totaled $287.5 million as compared to $126.9 million in fiscal year 2009.

- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled $438.9 million in fiscal year 2010 and totaled $115.0 million in fiscal year 2009.

- Total revenues were $327.2 million in fiscal year 2010, an increase of 13.9% from fiscal year 2009. Excluding the net change in fair value of investments, total revenues were $276.1 million in fiscal year 2010, representing an increase of 13.9%. Revenues from federal programs were $166.5 million in fiscal year 2010 as compared to $125.0 million in fiscal year 2009. Fiscal year 2010 federal programs include $32.9 million in revenue from stimulus programs made available by the American Recovery and Reinvestment Act of 2009.

- Net operating income, excluding the net change in fair value of investments, was $36.1 million in fiscal year 2010 as compared to $25.9 million in fiscal year 2009.

- Net assets increased $87.2 million (15.7%) as of June 30, 2010. Excluding the change in fair value of investments, net assets increased $30.2 million (5.7%) as of June 30, 2010.

- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

Financial Position

The following table summarizes the Commission's current, restricted and noncurrent assets and liabilities and displays restricted and unrestricted net assets as of June 30, 2011, June 30, 2010, and June 30, 2009.

Condensed Financial Information
Assets, Liabilities and Net Assets (In Thousands)

	June 30,			$ change	
	2011	2010	2009	2011 vs 2010	2010 vs 2009
Assets					
Current assets	$ 40,517	$ 53,705	$ 58,024	$ (13,188)	$ (4,319)
Restricted investments	188,702	188,580	250,475	122	(61,895)
Restricted mortgage	1,747,780	1,661,563	1,655,786	86,217	5,777
Other restricted assets	239,228	312,722	137,893	(73,494)	174,829
Capital assets	1,295	1,427	1,214	(132)	213
Other	160,556	221,081	206,999	(60,525)	14,082
Total assets	$ 2,378,078	$ 2,439,078	$ 2,310,391	$ (61,000)	$ 128,687
Liabilities					
Current liabilities	$ 21,061	$ 10,304	$ 3,274	$ 10,757	$ 7,030
Current liabilities – payable from restricted assets	169,368	133,296	180,177	36,072	(46,881)
Long-term bonds payable	1,498,690	1,643,843	1,563,117	(145,153)	80,726
Other	9,188	9,162	8,507	26	655
Total liabilities	$ 1,698,307	$ 1,796,605	$ 1,755,075	$ (98,298)	$ 41,530
Net Assets					
Invested in capital assets	$ 1,295	$ 1,427	$ 1,214	$ (132)	$ 213
Restricted	423,612	381,612	279,665	42,000	101,947
Unrestricted	254,864	259,434	274,437	(4,570)	(15,003)
Total net assets	$ 679,771	$ 642,473	$ 555,316	$ 37,298	$ 87,157

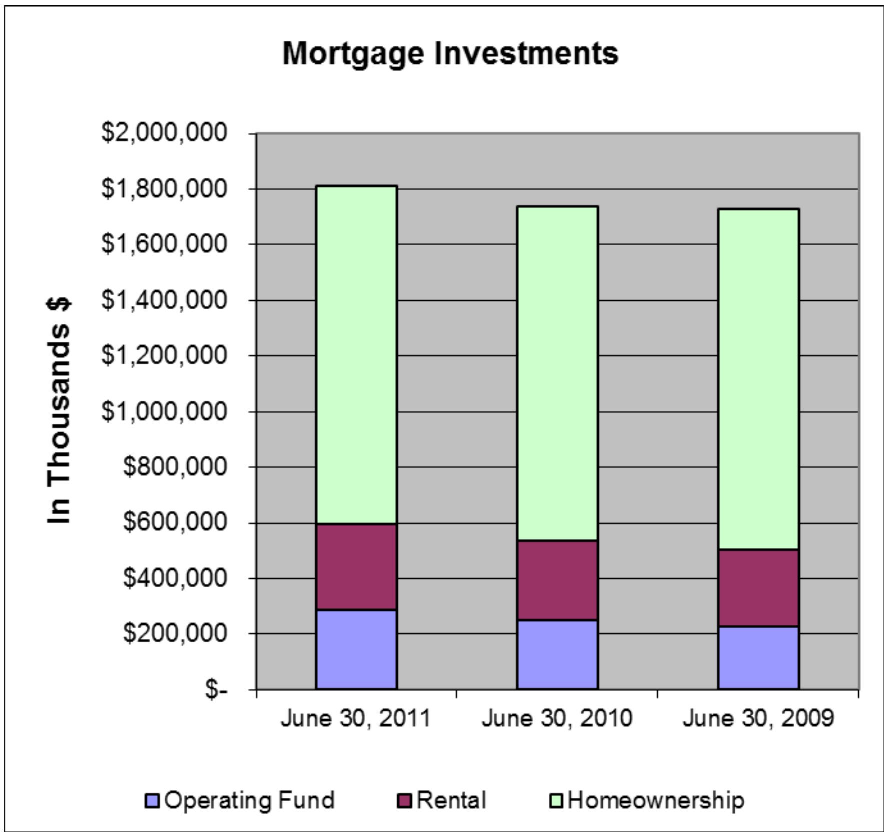
Investments

Investments consist of collateralized certificates of deposit, U.S. government and agency fixed rate securities, guaranteed investment agreement contracts and repurchase agreements. The Commission's investment policy emphasizes preservation of principal. At June 30, 2011, the Commission had $302.2 million in investments as compared to $368.5 million at June 30, 2010, and $425.5 million at June 30, 2009.

Mortgage Investments

The Commission's mortgage investments increased 4.4% during fiscal year 2011 and increased 0.5% during fiscal year 2010. Mortgage investments comprise 76.2% of the Commission's total assets at June 30, 2011, as compared to 71.1% at June 30, 2010, and 74.8% at June 30, 2009. Government National Mortgage Association (GNMA), Fannie Mae and Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities (MBS) comprise 68.3% of the Commission's mortgage investments at June 30, 2011, compared to 69.6% at June 30, 2010, and 71.0% at June 30, 2009. In fiscal year 2011 new loans totaled $294.4 million, with prepayment activity and change in fair value resulting in a net increase of $76.4 million in the mortgage investment portfolio as reported. In fiscal year 2010 new loans totaled $287.5 million, with prepayment activity and change in fair value resulting in a net increase of $8.0 million in the mortgage portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and FHLMC MBS and a significant portion of its bond-financed rental loan portfolio backed by FHA insurance including Risk-Share loans. The Commission's loan loss reserve is 2.4% of total mortgage investments at June 30, 2011 (2.5% at June 30, 2010, and 2.4% at June 30, 2009), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

The mix of mortgage investments among operating fund loans, rental and homeownership bond-financed programs at June 30, 2011, June 30, 2010, and June 30, 2009, is depicted in the following chart:



The Commission's operating fund mortgage investments as reported are comprised of mortgage-backed securities and loans financed with fund balances (net assets) and Federal Home Loan Bank (FHLB) advances totaling $109.6 million at June 30, 2011, as compared to $100.9 million at June 30, 2010, and $95.9 million at June 30, 2009. The operating fund loans also include loans financed by the federal HOME Investment Partnership Program totaling $151.5 million at June 30, 2011, as compared to $138.2 million at June 30, 2010, and $130.7 million at June 30, 2009. In addition, the operating fund loans at June 30, 2011, include $25.8 million in loans financed by the federal Tax Credit Assistance Program (TCAP), as compared to $11.4 million at June 30, 2010. The Commission's rental loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in 50% of the insured risk. These loans totaled $201.2 million at June 30, 2011, $173.9 million at June 30, 2010, and $157.7 million at June 30, 2009. The Commission's rental loan portfolio also includes conduit loans, which totaled $97.6 million at June 30, 2011, $99.2 million at June 30, 2010, and $104.3 million at June 30, 2009. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

Debt

At June 30, 2011, the Commission had $1.54 billion in bonds and notes outstanding as compared to $1.65 billion outstanding at June 30, 2010, and $1.61 billion at June 30, 2009.

During fiscal year 2011, new debt resulted from issuance of two series of homeownership mortgage revenue bonds, which totaled $80 million, five multifamily bond issues totaling $30.7 million and a net increase in FHLB advances and short-term fixed rate notes of $8.5 million. The overall net decrease in debt during fiscal year 2011 resulted from principal payments and redemptions that exceeded current year issuances. Debt issuances during fiscal year 2011 included $80.0 million of Treasury New Issue Bond Program (NIBP) Market Bonds. During fiscal year 2010, new debt resulted from the issuance of six series of homeownership mortgage revenue bonds, which totaled $420 million, and one multifamily bond issue totaling $18.9 million, and a net increase in FHLB advances and short-term fixed rate notes of $5.3 million. The overall net increase in debt during fiscal year 2010 resulted from current year issuances that exceeded principal payments and redemptions. Debt issuances during fiscal year 2010 included $260.0 million of the NIBP Program Bonds and $40.0 million of NIBP Market Bonds. For additional information, see *Note 5*, Bonds Payable and Long-Term Liabilities, in the Notes to Financial Statements.

Net Assets

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net assets as compared to total assets) was 27.0% at June 30, 2011, as compared to 24.9% at June 30, 2010, and 24.4% at June 30, 2009. Excluding unrealized gains and losses, net assets were $592.2 million at June 30, 2011, $561.6 million at June 30, 2010, and $531.4 million at June 30, 2009, representing growth of 5.5% in fiscal year 2011, growth of 5.7% in fiscal year 2010 and growth of 4.1% in fiscal year 2009. A significant portion of the Commission's net assets are restricted by bond indenture, grant agreements and other legal requirements. Net assets provide liquidity and capital adequacy to support the Commission's general obligations and commitments, such as the Commission's general obligation bonds and participation in HUD's Risk-Share Program, that are secured by the Commission's full faith and credit.

Operating Activities

The following table summarizes the Commission's revenues, expenses and changes in net assets for fiscal years 2011, 2010 and 2009.

Condensed Financial Information
Revenues, Expenses and Changes in Net Assets (In Thousands)

				$ change	
	2011	2010	2009	2011 vs 2010	2010 vs 2009
Operating Revenues					
Interest and investment income	$ 89,597	$ 140,729	$ 145,355	$ (51,132)	$ (4,626)
Grants and federal assistance	216,480	166,525	125,043	49,955	41,482
Other	16,884	19,905	16,837	(3,021)	3,068
Total operating revenues	322,961	327,159	287,235	(4,198)	39,924
Operating Expenses					
Interest expense	63,199	70,847	77,509	(7,648)	(6,662)
Compensation and administrative expenses	13,258	13,553	12,814	(295)	739
Grants and federal assistance	188,420	146,471	119,887	41,949	26,584
Other	20,786	9,131	6,260	11,655	2,871
Total operating expenses	285,663	240,002	216,470	45,661	23,532
Change in Net Assets	$ 37,298	$ 87,157	$ 70,765	$ (49,859)	$ 16,392

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. During fiscal year 2011, overall revenues decreased due, primarily, to a decrease in fair value adjustments offset by an increase in federal program income. Interest and investment income decreased $51.1 million in fiscal year 2011 primarily due to fair value adjustments. During fiscal year 2010, overall revenues increased due, primarily, to federal assistance revenue. Interest and investment income decreased $4.6 million in fiscal year 2010 primarily due to lower reinvestment rates and the decrease in portfolio level due to prepayments and moderate production. Excluding the effects of fair value reporting, the change in net assets was an increase of $30.6 million in fiscal year 2011, $30.2 million in fiscal year 2010 and $21.1 million in fiscal year 2009, demonstrating continued financial strength. The return on average equity and the return on average assets, excluding the effects of fair value reporting and conduit bond-financed assets, were 5.3% and 1.4%, respectively, for fiscal year 2011. This compares to 5.5% and 1.4%, respectively, for fiscal year 2010.

Revenues

Interest and investment income totaled $89.6 million in fiscal year 2011 as compared to $140.7 million in fiscal year 2010 (a decrease of 36.3% in fiscal year 2011) and as compared to $145.4 million in fiscal year 2009 (a decrease of 3.2% in fiscal year 2010). This income includes a fair value increase of $3.5 million in fiscal year 2011, a fair value increase of $51.1 million in fiscal year 2010 and a fair value increase of $44.9 million in fiscal year 2009. During fiscal year 2011 decreasing interest rates caused a corresponding increase in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 4.0% in fiscal year 2011, reflecting the decrease in the Commission's investment portfolio and decreases in interest rates and earnings as compared to the prior year. During fiscal year 2010 decreasing interest rates caused a corresponding increase in the fair value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 10.8% in fiscal year 2010, reflecting the decrease in the Commission's mortgage investment asset base and decreases in interest rates and earnings compared to the prior year. Depending on future financial markets, interest rate fluctuations are expected to have continuing material effects on the Commission's financial statements.

Grants and Federal Assistance

Federal and state grant program revenues and expenses represent activity related to projects funded by the U.S. Department of Housing and Urban Development (including Section 8 Contract Administration and HOME Investment Partnership) and other federal programs. These revenues totaled $216.5 million in fiscal year 2011 as compared to $166.5 million in fiscal year 2010 and $125.0 million in fiscal year 2009 while expenses incurred were $188.4 million in fiscal year 2011, $146.5 million in fiscal year 2010 and $119.9 million in fiscal year 2009. The fiscal year 2011 increase was primarily due to Tax Credit Replacement (TCR) funding. The fiscal year 2010 increase was primarily due to federal TCAP and TCR funding. These federal stimulus programs provided by the American Recovery and Reinvestment Act of 2009 totaled $76.1 million in revenue in fiscal year 2011, as compared to $32.9 million in fiscal year 2010. These programs, along with federal and state tax credit programs, are integral to the Commission's achievement of its objectives. The Commission continues to make the most of federal government programs that serve its mission by utilizing those that provide resources that leverage its net assets and other resources to finance affordable rental and owner-occupied housing for Missourians.

Expenses

Interest costs were $63.2 million for fiscal year 2011 as compared to $70.8 million for fiscal year 2010 (a decrease of 10.8% in fiscal year 2011) and $77.5 million for fiscal year 2009 (a decrease of 8.6% in fiscal year 2010). The fiscal year 2011 and 2010 decreases are primarily attributable to the decrease in the rates on newer debt issues, particularly the low short-term interest rates on the NIBP Program Bonds.

Beyond the costs associated with debt financing, the Commission's chief operating costs consist of compensation, facilities rent, information systems, professional services and travel expenses. These costs totaled $13.3 million in fiscal year 2011 ($13.6 million in fiscal year 2010 and $12.8 million in fiscal year 2009). Excluding the net change in the fair value of investments, these costs represented 4.2% of revenues in fiscal year 2011 as compared to 4.9% of revenues in fiscal year 2010 and 5.3% of revenues in fiscal year 2009.

Contacting MHDC's Financial Management

This financial report is designed to provide the Commission's stakeholders with a general overview of the Commission's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact the Director of Finance at the Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri, 64111 or visit the Commission's website at www.mhdc.com.

Missouri Housing Development Commission

Balance Sheets

June 30, 2011 and 2010

(In Thousands)

Assets	2011	2010
Current Assets		
Cash and cash equivalents	$ 16,642	$ 16,368
Investments	12,472	27,144
Mortgage investments	4,496	5,403
Accrued interest receivable	1,496	1,849
Real estate owned	2,051	2,051
Accounts receivable – other	3,300	783
Prepaid expenses	60	107
Total current assets	40,517	53,705
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	222,847	294,822
Investments	188,702	188,580
Mortgage investments	1,747,780	1,661,563
Accrued interest receivable	6,895	7,098
Deferred financing charges	9,486	10,802
Total restricted assets	2,175,710	2,162,865
Investments	101,068	152,731
Mortgage investments, net of current portion and allowances for loan losses of $44,362 and $44,100 at June 30, 2011 and 2010, respectively	59,488	68,350
Capital assets, less accumulated depreciation of $2,847 and $2,386 at June 30, 2011 and 2010, respectively	1,295	1,427
Total noncurrent assets	2,337,561	2,385,373
Total assets	$ 2,378,078	$ 2,439,078

See Notes to Financial Statements

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Bonds and notes payable	$ 15,449	$ 6,978
Accounts payable	4,495	2,262
Deferred revenue	1,117	1,064
Total current liabilities	21,061	10,304
Current Liabilities – Payable From Restricted Assets		
Bonds and notes payable	50,830	22,567
Accrued interest payable	20,574	22,245
Escrow deposits	97,312	87,179
Rent subsidies and other payables	324	335
Accounts payable	328	970
Total current liabilities – payable from restricted assets	169,368	133,296
Noncurrent Liabilities		
Bonds and notes payable	78	128
Deferred revenue	9,188	9,162
Payable from restricted assets		
Bonds and notes payable	1,498,612	1,643,715
Total noncurrent liabilities	1,507,878	1,653,005
Total liabilities	1,698,307	1,796,605
Net Assets		
Invested in capital assets	1,295	1,427
Restricted	423,612	381,612
Unrestricted, including designated balances	254,864	259,434
Total net assets	679,771	642,473
Total liabilities and net assets	$ 2,378,078	$ 2,439,078

Missouri Housing Development Commission
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010
(In Thousands)

	2011	2010
Operating Revenues		
Interest and investment income		
Income – mortgage investments	$ 78,742	$ 80,591
Income – investments	7,331	9,064
Net increase in fair value of investments	3,524	51,074
Total interest and investment income	89,597	140,729
Administration fees	7,299	7,025
Other income	9,585	12,880
Federal program income	216,480	166,525
Total operating revenues	322,961	327,159
Operating Expenses		
Interest expense on bonds	63,199	70,847
Bond debt expense	378	446
Compensation	8,798	9,163
General and administrative expenses	4,460	4,390
Provision for loan and real estate owned losses	300	1,358
Rent and other subsidy payments	16,473	3,242
Housing Trust Fund grants	3,635	4,085
Federal program expenses	188,420	146,471
Total operating expenses	285,663	240,002
Change in Net Assets	37,298	87,157
Net Assets, Beginning of Year	642,473	555,316
Net Assets, End of Year	$ 679,771	$ 642,473

Missouri Housing Development Commission

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(In Thousands)

	2011	2010
Cash Flows From Operating Activities		
Interest received on mortgage investments	$ 78,530	$ 80,771
Fees, charges and other	12,781	18,023
Principal repayments on mortgage loans	221,247	326,390
Proceeds from sale of mortgage loans	2,258	-
Disbursements of mortgage loans	(294,394)	(287,497)
Federal revenue	216,480	166,525
Federal expenses	(188,420)	(146,471)
Collection of compliance and origination fees	1,894	2,522
Cash payments for compensation, administrative and other costs	(13,258)	(13,553)
Other operating payments	(18,356)	(6,270)
Net cash provided by operating activities	18,762	140,440
Cash Flows From Noncapital Financing Activities		
Retirement of principal on bonds	(417,546)	(495,969)
Proceeds from issuance of bonds	315,097	532,521
Interest paid on bonds	(68,441)	(81,601)
Deferred financing charges paid	(1,025)	(2,561)
Change in escrow deposits	10,133	17,246
Net cash used in noncapital financing activities	(161,782)	(30,364)
Cash Flows Used In Capital and Related Financing Activities		
Payments for capital assets	(467)	(488)
Cash Flows From Investing Activities		
Purchases of investments	(315,159)	(569,510)
Proceeds from maturities and sales of investments	379,021	627,410
Interest received on investments	7,924	9,603
Net cash provided by investing activities	71,786	67,503
Net Increase (Decrease) in Cash and Cash Equivalents	(71,701)	177,091
Cash and Cash Equivalents, Beginning of Year	311,190	134,099
Cash and Cash Equivalents, End of Year	$ 239,489	$ 311,190
Noncash Activities		
Real estate received in lieu of foreclosure	$ -	$ 2,051
Borrowing under capital lease	$ -	$ 202

Missouri Housing Development Commission

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

(In Thousands)

	2011	2010
Reconciliation of Increase In Net Assets To Net Cash Provided By (Used In) Operating Activities		
Increase in net assets	$ 37,298	$ 87,157
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	541	444
Net increase in fair value of investments	(3,524)	(51,074)
Amortization of discounts on loans	(175)	(230)
Compliance and origination fee receipts	1,894	2,522
Amortization of deferred revenue	(1,586)	(1,735)
Income – investments	(7,331)	(9,064)
Provision for loan losses	300	1,358
Proceeds from sale of mortgage loans	2,258	-
Net change in mortgage loans	(73,185)	38,867
Interest expense related to bonds and capital leases	63,199	70,847
Change in assets and liabilities		
Increase in accounts receivable	(2,517)	(147)
Decrease (increase) in accrued interest receivable	(37)	410
Decrease (increase) in prepaid expenses	47	(72)
Increase in accounts payable	1,580	1,157
Net cash provided by operating activities	$ 18,762	$ 140,440

Missouri Housing Development Commission
Notes to Financial Statements
June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Missouri Housing Development Commission (the "Commission") is a body corporate and politic established on October 13, 1969, by Chapter 215 of the Missouri State Statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans that are uninsured, partially insured or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed $200,000,000. At June 30, 2011 and 2010, the Commission had $75,162,000 and $76,220,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the state of Missouri.

Reporting Entity

The Commission defines its reporting entity to include all component units for which the Commission is financially accountable. The extent of financial accountability is based upon several criteria including: appointment of a voting majority of the governing body, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. No separate entities meet the requirements to be considered component units of the Commission.

Pursuant to the requirements of the Governmental Accounting Standards Board (GASB), the Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report.

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. Accordingly, the accounting records are maintained on the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Commission's financial statements are prepared using the flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Commission are included on the balance sheet. The statement of revenues, expenses and changes in net assets presents increases, *i.e.*, revenues, and decreases, *i.e.*, expenses, in total net assets.

Revenues and expense are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are derived from the investment income from loans and investments, financing fees, federal program funding and other

charges related to providing financing for affordable housing through mortgage loans and grants. Operating expenses consists primarily of interest expense on bonds outstanding and federal program expenses. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Commission has no nonoperating activities.

The Commission follows all GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Commission has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, as prescribed by GASB Statement No. 20.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less. At June 30, 2011 and 2010, cash equivalents consisted primarily of overnight repurchase agreements and money market funds.

Investments

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools*, securities purchased under agreements to resell, U.S. government and agency securities, and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the years ended June 30, 2011 and 2010, the net increase in fair value of investments was $3,524,000 and $51,074,000, respectively. Without the recognition of this element of investment income, the Commission’s change in net assets would have been $33,774,000 in 2011 and $36,083,000 in 2010.

Mortgage Investments

Proceeds from the sale of bonds as well as resources provided in the Commission's warehousing program and net assets are used to make or purchase mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC) and backed by pools of qualifying mortgage loans. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and FHLMC mortgage-backed securities are reported at fair value as determined by external investment custodians and quoted market prices.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are evaluated for nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

Allowance for Loan Losses

The allowance for loan losses is for uninsured loans, Risk-Share loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors that, in management's opinion, require consideration. For financial statement presentation, the allowance for loan losses has been netted against the noncurrent portion of mortgage and construction loans.

Real Estate Owned

Real estate owned was acquired through a deed in lieu of a foreclosure transaction and is recorded at the value of the investment in the loan, which is lower than the estimated fair market value less estimated selling costs.

Deferred Financing Charges

Costs related to selling and issuing bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Original Issue Discounts/Premiums

Original issue bond discounts and premiums are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

Capital Assets

Capital assets consist of leasehold improvements, software, office furniture and equipment, which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to nine years. The Commission defines capital assets as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of one year.

Arbitrage Rebate

Federal income tax rules limit the investment and loan yields which the Commission may retain for its own use from investing the proceeds of certain tax-exempt bond issues. The excess yields payable to the U.S. Treasury are included in accounts payable and are based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

Net Assets

Net assets are classified as follows:

Invested in Capital Assets: This component of net assets consists of capital assets, net of accumulated depreciation.

Restricted Net Assets: This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors, grantors, contributions, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: Represents those net assets used at the discretion of the Board of Commissioners to compliment bond and loan programs, to fund housing initiatives and to provide for the Commission’s operations. Certain unrestricted net assets have been designated by the Commission to provide for its housing programs. Unrestricted net assets provide additional security for the Commission’s general obligations and commitments.

Fees, Charges and Expenses

Deferred revenue consists primarily of tax credit fees and compliance monitoring fees that are recognized as income over the contractual periods.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred.

Operating expenses identifiable to a particular program are charged directly to the program. All other operating expenses are accounted for by the Commission in the Operating Fund (see *Note 2*).

Federal Assistance and Grants

The Commission administers grants and federal assistance programs, representing "pass-through" financial assistance, on the behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission.

Grants received from federal, state and local governments are recognized as operating revenue as the related expenditures are incurred in accordance with GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the bonds outstanding method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation. The reclassifications had no effect on the change in net assets.

Note 2: Description of Funds or Programs

The following describes the funds or programs maintained by the Commission, all of which conform to Chapter 215 of the Missouri State Statutes and the respective bond resolutions.

Operating Fund

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned for administering various U.S. Department of Housing and Urban Development (HUD) programs, and interest income from Operating Fund investments and mortgage loans. Mortgage and construction loans in the Operating Fund are collateralized by deeds of trust on the related properties, including approximately $6,088,000 and $9,059,000 at June 30, 2011 and 2010, respectively, which are insured by HUD or guaranteed by the Veterans Administration (VA). These insured loans include $3,996,000 and $4,093,000 at June 30, 2011 and 2010, respectively, which are FHA-insured "Risk-Share Mortgage Loans," as described in *Note 4*. Authorized activities of the Operating Fund include the following:

- Payment of general and administrative expenses and other costs not payable by other funds of the Commission.
- Financing rental or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures.
- Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

The Commission administers the Missouri Housing Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing and related services for very low-income families and individuals. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo and its financial activities are included in the financial statements of the Commission. In addition, separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

Rental Bond-Financed Programs

The Commission's Rental Bond-Financed Programs were established to account for the proceeds from the bond sales, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible rental developments. All loans, with the exception of most of the loans financed by conduit Rental Housing Revenue Bonds, are insured by HUD. Uninsured conduit loans, which totaled $88,522,000 and $89,850,000 at June 30, 2011 and 2010, respectively, are financed by the borrowers with limited obligation revenue bonds which are denoted by "**" in *Note 5*.

Rural Growth and Homeownership Bond-Financed Programs

The Commission's Rural Growth and Homeownership Bond-Financed Programs were established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible owner-occupied units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA or USDA/RD.

Special Homeownership Bond-Financed Program

The Commission's Special Homeownership Bond-Financed Program was established under the United State Treasury's Single Family New Issue Bond Program to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage-backed securities on eligible owner-occupied units.

Note 3: Cash and Investments

A summary of cash and investments as of June 30, 2011 and 2010, is as follows *(in thousands)*:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents				
Cash	$ 35,050	$ 35,050	$ 23,210	$ 23,210
Securities purchased under agreements to resell	2,055	2,055	10,181	10,181
Money market funds	202,384	202,384	277,799	277,799
Total cash and cash equivalents	239,489	239,489	311,190	311,190
Investments				
Certificates of deposit	-	-	10,400	10,400
U.S. Treasury bonds and notes and agency obligations	263,668	265,370	303,517	307,511
Guaranteed investment contracts	36,872	36,872	50,544	50,544
Total investments	300,540	302,242	364,461	368,455
Total cash and cash equivalents and investments	$ 540,029	$ 541,731	$ 675,651	$ 679,645

Investment Policy

General

The Commission's Investment Policy and Guidelines are formalized in Resolution No. 925. This policy applies to investments that are not held by a trustee in connection with bond or note issues. This policy permits the Commission to invest in obligations of the state of Missouri, obligations of the United States of America, obligations issued or guaranteed by certain agencies of the federal government, certain collateralized repurchase agreements and certificates of deposit. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes. At June 30, 2011, all of the Commission's general investments (nonbond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

Indentures

The Commission's Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, certificates of deposit, investment agreements and certain other investments permitted by applicable law. At June 30, 2011, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the Indentures.

Investment Maturities

As of June 30, 2011 and 2010, the Commission had the following investments and maturities (amounts are in thousands):

June 30, 2011

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
U.S. Treasury securities	$ 19,500	$ 6,332	$ 6,809	$ -	$ 6,359
U.S. agency securities	245,870	36,607	136,141	73,122	-
Guaranteed investment contracts	36,872	-	-	1,425	35,447
Total investments	$ 302,242	$ 42,939	$ 142,950	$ 74,547	$ 41,806

June 30, 2010

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Certificates of deposit	$ 10,400	$ 10,400	$ -	$ -	$ -
U.S. Treasury securities	36,141	18,906	11,100	-	6,135
U.S. agency securities	271,370	68,294	177,216	25,860	-
Guaranteed investment contracts	50,544	473	-	1,621	48,450
Total investments	$ 368,455	$ 98,073	$ 188,316	$ 27,481	$ 54,585

The Commission's Investment Policy and Guidelines limit investments for general funds in repurchase agreements to 90 days and U.S. Treasury and U.S. agency securities to 10 years. The demand repurchase agreements are collateralized by obligations of the United States of America or its agencies, and have a one-day demand of funds provision exercisable at the Commission's option. The bond resolutions and indentures allow for investments in obligations of the United States of America and investment agreements for the terms specified in these documents, generally 30 years.

At June 30, 2011, as reported at fair value, the Commission's U.S. agency securities consist of $100,925,000 Federal Home Loan Bank (FHLB), $45,865,000 Federal Farm Credit Bank (FFCB), $27,630,000 FHLMC and $71,450,000 Fannie Mae debt securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of investments. The Commission manages interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations and debt service obligations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

The Commission's investments in U.S. government agency securities and money market funds are rated in the highest rating category by Standard & Poor's (AAA) and Moody's Investor Services (Aaa). Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.

Subsequent to June 30, 2011, Standard & Poor's Ratings Services downgraded its long-term sovereign credit rating on the United States of America to 'AA+' from 'AAA' with a negative outlook.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer with respect to U.S. Treasury Securities and U.S. government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the nonbond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2011:

Issuer	Percent of Total Investments
Federal Home Loan Bank	33.4%
Fannie Mae	23.6%
Federal Farm Credit Bank	15.2%
Federal Home Loan Mortgage Corporation	9.1%
U.S. Treasury	6.4%

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the Commission addresses custodial credit risk by pre-qualifying institutions with which the Commission places investments, diversifying its investment portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2011 and 2010, securities approximating $246,271,000 and $247,077,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Commission's name.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Commission may not be able to recover its deposits. Protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by a single collateral pool established by the financial institution or by irrevocable standby letters of credit issued by the Federal Home Loan Bank of Des Moines.

Note 4: Mortgage Investments

Mortgage investments reflected in the balance sheet consist of the following as of June 30, 2011 and 2010 *(in thousands)*:

	2011	2010
Total mortgage loan principal outstanding	$ 622,088	$ 575,495
Less: Allowance for mortgage loan losses	(44,362)	(44,100)
Deferred origination and commitment fees	(3,196)	(3,153)
Mortgage loans, net	574,530	528,242
Total mortgage-backed securities, at cost	1,151,375	1,130,195
Unrealized gain (loss) on securitized mortgage loans	85,859	76,879
Mortgage-backed securities, at fair value	1,237,234	1,207,074
Mortgage investments, net	$ 1,811,764	$ 1,735,316

Mortgages include loans financed by the federal HOME Investment Partnership Program totaling $172,449,000 and $159,226,000 as of June 30, 2011 and 2010, respectively. A portion of these loans totaling $49,774,000 and $43,113,000 at June 30, 2011 and 2010, respectively, include

prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of $20,953,000 and $21,059,000 is attributable to this portfolio at June 30, 2011 and 2010, respectively. At June 30, 2011 and June 30, 2010, mortgages also include $30,081,000 and $14,077,000, respectively, financed by the federal Tax Credit Assistance Program (TCAP). An estimated allowance for mortgage loan losses of $4,254,000 and $2,696,000 is attributable to this portfolio at June 30, 2011 and 2010, respectively.

During fiscal year 2010 the Commission began warehousing mortgage-backed securities created by its single family homeownership programs. The securities have been funded by net assets or through short-term FHLB advances which are secured by pledged U.S. agency securities and mortgage-backed securities, which totaled $38,669,000 at June 30, 2011, and $21,720,000 at June 30, 2010. The balance of warehoused mortgage-backed securities was $19,557,000 and $5,166,000 at June 30, 2011, and June 30, 2010, respectively.

The Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program generally require that mortgage loans be made to borrowers whose household income does not exceed the statewide median income, based on family size. For loans financed with tax-exempt bond proceeds, Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. The Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program provide funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The Rental Bond-Financed Programs provide long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with the U.S. Department of Housing and Urban Development (HUD), which permits the Commission to participate in HUD's Risk-Share Program. In accordance with the terms of this agreement, HUD will insure certain mortgage loans on rental housing developments (FHA-insured "Risk-Share Mortgage Loans") and the Commission will underwrite the Risk-Share Mortgage Loans following its underwriting guidelines. HUD will insure the Risk-Share Mortgage Loans and will bear 50% of the risk and the Commission will bear the remaining 50% of the risk. The Commission had Risk-Share Mortgage Loans totaling $201,175,000, representing 62 loans as of June 30, 2011, and $173,885,000, representing 57 loans as of June 30, 2010.

The proceeds of the Rental Housing Revenue Bonds, the Homeownership Revenue Bonds and the Special Homeownership Revenue Bonds as well as resources of the Commission's Mortgage-Backed Security Warehousing Program, as listed below, were used to purchase GNMA, Fannie Mae and FHLMC certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the pooled mortgage loans financed by the Homeownership, Special Homeownership and Rental Programs are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment. The financing rates related to the mortgage-backed securities at June 30, 2011, are as follows:

Issue	Mortgage Rate	Certificate Rate
Rental Housing Revenue Bonds		
Series 1999	6.185%	5.185%
Series 2002 G	6.90%	6.65%
2005 Series I-A	5.85%	5.60%
Homeownership Mortgage Revenue Bonds		
Issue of November 1, 1986	8.25%	7.75%
1988 Series C	8.80%	8.30%
Homeownership Loan Program (1995 Indenture)		
1995 Series B	6.5%, 7.65%	6%, 7.15%
1995 Series D	6.55%, 7.45%	6.05%, 6.95%
1996 Series B	8%	7.50%
1996 Series C	7.87%	7.37%
1997 Series A	6.3%, 6.85%, 7.85%	5.8%, 6.35%, 7.35%
1997 Series A-4	6.84%	6.34%
1997 Series B	6.31%, 7.31%	5.81%, 6.81%
1997 Series C	7.35%	6.85%
1998 Series B	6.1%, 7.35%	5.6%, 6.85%
1998 Series D	6.05%, 6.67%, 6.95%	5.55%, 6.17%, 6.45%
1998 Series E	5.90%	5.40%
1999 Series A	5.87%	5.37%
1999 Series B	6.25%, 7.1%	5.75%, 6.6%
1999 Series C	6.77%	6.27%
2000 Series A	7.03%, 7.93%	6.53%, 7.43%
2000 Series B	6.97%, 7.87%	6.47%, 7.37%
2000 Series C	6.6%, 7.5%	6.1%, 7%
2001 Series A	6.1%, 6.85%	5.6%, 6.35%
2001 Series B	6.16%, 6.91%	5.66%, 6.41%
2001 Series C	5.5%, 6.4%, 8.25%	5%, 5.9%, 7.75%
2002 Series A	6.05%, 6.84%	5.55%, 6.34%
2002 Series B	6.08%, 6.65%, 6.83%	5.58%, 6.15%, 6.33%
2002 Series C	5.2%, 6.1%, 6.79%	4.7%, 5.6%, 6.29%
2003 Series A	5.42%, 6.27%	4.92%, 5.77%
2003 Series B	5.25%, 5.85%, 6.09%, 7.45%	4.75%, 5.35%, 5.59%, 6.95%
2003 Series C	5.99%	5.49%
2003 Series D	5.08%, 6.08%	4.58%, 5.58%
2004 Series A	4.95%, 5.65%, 7.3%	4.45%, 5.15%, 6.8%
2004 Series B	5.9%, 5.95%, 6.6%	5.4%, 5.45%, 6.1%
2004 Series C	5.7%, 5.95%, 6.3%	5.2%, 5.45%, 5.8%
2004 Series D	5.875%	5.375%
2005 Series A	5.4%, 5.9%, 7.99%	4.9%, 5.4%, 7.49%
2005 Series B	5.6%, 6.1%	5.1%, 5.6%
2005 Series C	5.3%, 5.8%, 6.9%	4.8%, 5.3%, 6.4%

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Issue	Mortgage Rate	Certificate Rate
Homeownership Loan Program (1995 Indenture) (Continued)		
2005 Series D	5.6%, 6.125%	5.1%, 5.625%
2006 Series A	5.65%, 6.15%	5.15%, 5.65%
2006 Series B	5.75%, 6.25%	5.25%, 5.75%
2006 Series C	6%, 6.41%	5.5%, 5.91%
2006 Series D	6.3%, 6.71%	5.8%, 6.21%
2006 Series E	6.15%, 6.6%	5.65%, 6.1%
2007 Series A	5.9%, 6%, 6.35%, 6.45%	5.4%, 5.5%, 5.85%, 5.95%
2007 Series B	5.99%, 6.09%, 6.45%, 6.55%	5.49%, 5.59%, 5.95%, 6.05%
2007 Series C	5.95%, 6.05%, 6.105%, 6.4%, 6.555%	5.45%, 5.55%, 5.605%, 5.9%, 6.055%
2007 Series D	6.29%, 6.445%, 6.84%, 6.995%	5.79%, 5.945%, 6.34%, 6.495%
2007 Series E	6.04%, 6.195%, 6.49%, 6.645%	5.54%, 5.695%, 5.99%, 6.145%
2008 Series A	5.99%, 6.145%, 6.46%, 6.615%	5.49%, 5.645%, 5.96%, 6.115%
2008 Series B	5.25%, 5.65%, 5.70%, 6.25%, 6.45%, 6.54%, 6.65%, 6.7%, 6.9%, 7.1%, 7.54%	4.75%, 5.15%, 5.2%, 5.75% 5.95%, 6.04%, 6.15%, 6.2%, 6.4%, 6.6%, 7.04%
2008 Series C	5.4%, 5.45%, 5.55%, 5.6%, 5.85%, 6.01%, 6.19%, 6.25%, 6.31%, 6.45%, 6.49%, 6.5%, 6.69%, 7.15%, 7.29%	4.9%, 4.95%, 5.05%, 5.1%, 5.35%, 5.51%, 5.69%, 5.75%, 5.81%, 5.95%, 5.99%, 6%, 6.19%, 6.65%, 6.79%,
2009 Series A	5.5%, 5.55%, 5.65%, 5.75%, 5.85%, 6%, 6.15%, 6.25%, 6.3%, 7.72%	5%, 5.05%, 5.15%, 5.25%, 5.35%, 5.5%, 5.65%, 5.75%, 5.8%, 7.22%
2009 Series B	5.4%, 5.5%, 5.55%, 5.72%, 5.85%, 6%, 6.01%, 6.02%, 6.15%, 6.25%, 6.3%, 6.31%, 6.4%, 6.49%, 6.5%, 6.63%	4.9%, 5%, 5.05%, 5.22%, 5.35%, 5.5%, 5.51%, 5.52%, 5.65%, 5.75%, 5.8%, 5.81%, 5.9%, 5.99%, 6%, 6.13%
2009 Series C	5.5%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 6.25%, 8.7%, 8.8%	5%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 5.75%, 8.2%, 8.3%
2009 Series D	5.1%, 5.35%, 5.4%, 5.5%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 7.75%	4.6%, 4.85%, 4.9%, 5%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 7.25%
Special Homeownership Loan Program (2009 Indenture)		
2009 Series E-1	4.9%, 5.1%, 5.125%, 5.25%, 5.275%, 5.35%, 5.4%, 5.5%, 5.55%, 5.625%, 5.65%, 5.75%, 5.85%, 5.9%, 6%, 6.31%	4.4%, 4.6%, 4.625%, 4.75%, 4.775%, 4.85%, 4.9%, 5%, 5.05%, 5.125%, 5.15%, 5.25%, 5.35%, 5.4%, 5.5%, 5.81%
2009 Series E-2	3.5%, 4%, 4.5%, 4.9%, 5%, 5.125%, 5.35%, 5.4%, 5.6%, 5.625%, 5.75%, 5.775%, 5.85%	3%, 3.5%, 4%, 4.4%, 4.5%, 4.625%, 4.85%, 4.9%, 5.1%, 5.125%, 5.25%, 5.275%, 5.35%
2009 Series E-3	3.5%, 3.7%, 4%, 4.2%, 4.5%, 4.65%, 4.7%, 4.85%, 4.9%, 5%, 5.15%, 5.4%, 5.625%, 5.63%	3%, 3.2%, 3.5%, 3.7%, 4%, 4.15%, 4.2%, 4.35%, 4.4%, 4.5%, 4.65%, 4.9%, 5.125 %, 5.13%
Mortgage-Backed Securities Warehousing Program		
Homeownership Portfolio	4%, 4.2%, 4.5%, 4.65%, 4.7%, 4.75%, 5%, 5.15%, 5.25%, 5.4%, 5.5%, 6%	3.5%, 3.7%, 4%, 4.15%, 4.2%, 4.25%, 4.5%, 4.65%, 4.75%, 4.9%, 5%, 5.5%

GNMA, Fannie Mae and FHLMC certificates, which are included in mortgage investment balances, are presented in the balance sheet at fair value in accordance with GASB Statement No. 31. As of June 30, 2011, the par value of securitized mortgage loans consist of 84.2% GNMA, 13.8% Fannie Mae and 2.0% FHLMC certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments (*in thousands*):

	2011		2010	
	Carrying Value	Cost	Carrying Value	Cost
GNMA, Fannie Mae and FHLMC mortgage-backed securities	$ 1,237,234	$ 1,151,375	$ 1,207,074	$ 1,130,195
Other mortgage loans	618,892	618,892	572,342	572,342
Total mortgage investments	$ 1,856,126	$ 1,770,267	$ 1,779,416	$ 1,702,537

Note 5: Bonds Payable and Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2011 *(in thousands)*:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Amount Due Within One Year
Operating – notes payable	$ 6,930	$ 2,317,985	$ (2,309,516)	$ 15,399	$ 15,399
Rental bond – financed program	289,275	30,678	(6,352)	313,601	31,122
Homeownership bond – financed program	1,351,353	80,000	(217,104)	1,214,249	17,643
Total bonds and notes payable	1,647,558	2,428,663	(2,532,972)	1,543,249	64,164
Unamortized premium, discount and deferred amount on refunding	25,654	1,860	(5,922)	21,592	2,065
Total bonds and notes payable, net	1,673,212	2,430,523	(2,538,894)	1,564,841	66,229
Deferred revenue	10,226	1,665	(1,586)	10,305	1,117
Capital leases	176	-	(48)	128	50
Total long-term debt and other obligations	$ 1,683,614	$ 2,432,188	$ (2,540,528)	$ 1,575,274	$ 67,396

The net proceeds of bond issues are used to provide financing for rental bond financed housing projects or for homeownership residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. These bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2011 and 2010, follows *(in thousands)*, including the applicable calendar date reference for future maturities or final redemption:

	Original Amount Authorized	Outstanding 2011	Outstanding 2010
Rental Bond – Financed Program			
Series September 1, 1989, Westminster Place (9.25%), due 2030***	$ 1,845	$ 1,310	$ 1,350
Series 1996A Truman Farm Villas (5.75% to 6.20%), due 2011 - 2028**	7,700	6,560	6,725
Series 1996A Brookstone Village (6.0% to 6.2%), due 2016 - 2028**	8,400	6,800	6,905
Series 1999 O'Fallon Place Apts. (4.60% to 5.25%), due 2011 - 2032*,**	6,710	5,440	5,630
Series 1999 The Mansion Apts. Phase II (6.125% to 6.170%), due 2022 - 2032**	6,730	5,880	5,995
Series 1999 East Hills Village Apts. (7.3%), due 2030**	2,750	2,410	2,465
2000 Series 1 (5.7% to 6.1%), due 2011 - 2031	11,540	9,275	9,495
2001 Series I (4.50% to 5.25%), due 2011 - 2027	21,780	4,295	5,095
2001 Series II (4.85% to 5.50%), due 2011 - 2023	46,360	4,340	4,720
2001 Series III (4.70% to 5.25%), due 2011 - 2021	22,850	1,295	1,420
2001 Series 1A (4.500% to 5.375%), due 2011 - 2033	7,300	4,410	4,550
2001 Series 2A (5.25% to 5.30%), due 2021 - 2032	3,800	3,190	3,270
Series 2002 G JB Hughes Apts. I & II (6.2% to 6.3%), due 2019 - 2037*,**	2,550	2,316	2,350
Series 2002 H JB Hughes Apts. I & II (6.9%), due 2038**	450	207	287
2002 Series 1 Bevo-Bavarian (5.30% to 5.55%), due 2017 - 2038	12,890	11,780	11,965
2002 Series 2 Columbia Square Townhomes (5.2% to 5.3%), due 2022 - 2034	4,440	3,170	3,270
2002 Series 4 Hawthorne Place Apts. (5.15% to 5.20%), due 2022 - 2034	20,505	13,120	13,395
2003 Series 1 Pevely Square Apts. (5.2% to 5.3%), due 2023 - 2034	5,105	2,395	2,445
2003 Series 2 Parkview Place Apts. (4.05% to 5.25%), due 2011 - 2035	5,715	4,160	4,425
2003 Series 3 Hyder Elderly Apts. (4.250% to 5.625%), due 2011 - 2040	3,965	3,670	3,720
2003 Series 4 Ridge Crest Apts. (4.60% to 5.45%), due 2013 - 2035	3,925	2,305	2,405
2003 Series 5 Kensington Heights Apts. (3.90% to 5.28%), due 2011 - 2040	5,075	4,665	4,735
2003 Series 6 Historic Ellison Apts. (3.5% to 5.0%), due 2011 - 2035	5,280	2,005	2,050
2003 Series 7 Autumn House/Jefferson Manor (4.3% to 5.1%), due 2013 - 2035	4,695	4,200	4,290
2003 Series 8 Stratford Commons (3.9% to 5.2%), due 2011 - 2035	4,385	2,045	2,090
2003 Series 9 Rural Development Apts. (4.35% to 5.10%), due 2013 - 2034	8,590	3,225	3,295
2003 Series 10 Hidden Valley Apts. (3.7% to 5.1%), due 2011 - 2036	10,880	9,830	10,040
2004 Series 1 Hickory Townhomes (4.05% to 4.95%), due 2018 - 2036	3,160	2,855	2,915
2004 Series 2 Winter Garden Apts. (3.40% to 4.95%), due 2011 - 2035	4,190	3,730	3,810
2004 Series 3 Woodlen Place Apts. (5.10% to 5.33%), due 2018 - 2035	1,800	1,225	1,255
Total forward	255,365	132,108	136,362

	Original Amount Authorized	Outstanding 2011	Outstanding 2010
Total forward	$ 255,365	$ 132,108	$ 136,362
Rental Bond – Financed Program *(Continued)*			
2004 Series 4 Festus Gardens Apts. (5.25%), due 2036	5,990	4,085	4,165
2004 Series 5 FP-San Remo Apts. (4.40% to 5.45%), due 2012 - 2036	3,785	2,155	2,195
2004 Series 6 Allen Market Lane Apts. (4.70% to 5.15%), due 2018 - 2036	6,735	3,370	3,435
Series 2004 Bridgeport Apts. (6.6%), due 2041**	6,580	6,328	6,391
2005 Series 1 St. Louis Brewery Apts. (4.5% to 4.9%), due 2020 - 2036	8,125	3,220	3,280
2005 Series 2 Meadowglen Apts. (3.55% to 4.85%), due 2011 - 2042	8,540	6,655	6,755
2005 Series 3 Olde Oak Tree & Landmark Towers (4.15% to 4.80%), due 2016 - 2036	6,520	5,615	5,735
2005 Series 4 Park Place Apts. (3.7% to 4.7%), due 2011 - 2037	10,330	9,515	9,715
2005 Series 5 Hawkins Village Apts. (4.0% to 5.0%), due 2011 - 2042	5,335	5,020	5,095
2005 Series 6 Ivanhoe Gardens Apts. (4.000% to 4.875%), due 2011 - 2036	4,240	2,435	2,485
2005 Series I-A and I-B Lakewood Apts. (5.25%), due 2035*,**	2,750	1,340	1,360
2005 Series II ChapelRidge of St. Joseph (6.3%), due 2047**	7,150	6,974	7,023
2005 Series III ChapelRidge of Union (6.4%), due 2047**	6,375	6,222	6,265
2005 Series IV ChapelRidge of Blue Springs (6.4%), due 2047**	9,800	9,593	9,657
2006 Series 1 Meadow Ridge Townhouses (4.0% to 5.0%), due 2011 - 2037	6,360	2,830	3,005
2006 Series 2 Ashley Park Apts. (4.000% to 4.875%), due 2011 - 2037	7,290	6,155	6,275
2006 Series 3 Eureka & Wendell Apts. (4.0% to 5.0%), due 2011 - 2047	3,165	3,045	3,075
2006 Series 4 Justin Place Apts. (4.2% to 5.0%), due 2011 - 2042	5,640	2,165	2,195
2006 Series 5 Metropolitan Village Apts. (4.2% to 5.0%), due 2011 - 2038	5,960	5,665	5,770
2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048**	15,046	4,283	4,388
2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048**	8,721	2,244	2,313
2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048**	5,329	1,082	1,115
2006 Series IV Washington Apts. (6.568%), due 2024**	7,500	2,771	2,807
2006 Series V Lost Tree South Apts. (6.244%), due 2026**	4,400	3,061	3,105
2006 Series VII Cedar Tree Apts. (5.73%), due 2026**	2,500	1,737	1,756
2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026**	3,200	2,654	2,682
2006 Series IX Catalpa Tree Apts. (5.73%), due 2026**	1,800	1,294	1,307
2006 Series X Center Apts. (5.73%), due 2026**	1,900	1,203	1,216
2007 Series 1 Linden Campus Apts. (4.0% to 4.7%), due 2011 - 2048	3,980	1,940	1,960
2007 Series I Park Ridge Apts. (5.665%), due 2039**	12,000	10,678	10,832
2007 Series II Mexico I Apts. (5.88%), due 2026**	1,100	662	671
2007 Series III Princeton Manor Apts. (variable rate), due 2027**	2,152	1,562	1,575
Total forward	445,663	259,666	265,965

	Original Amount Issued	Outstanding 2011	Outstanding 2010
Total forward	$ 445,663	$ 259,666	$ 265,965
Rental Bond – Financed Program *(Continued)*			
2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027**	970	770	777
2007 Series V Westside Apts. (variable rate), due 2027**	2,400	877	888
2007 Series VI Longfellow Apts. (variable rate), due 2040**	6,400	2,670	2,705
2009 Series 1 Courthouse Apts. (3.00% to 5.25%), due 2012 - 2042	18,940	18,940	18,940
2010 Series 1 Basie Court Apts. (1.0% to 4.5%), due 2012 - 2042	4,967	4,967	-
2010 Series 2 Samantha Heights Apts. (1.00% to 4.75%), due 2012 - 2042	8,610	8,610	-
2010 Series 3 Wesley Senior Towers Apts. (1.300% to 5.125%), due 2012 - 2042	5,395	5,395	-
2010 Series 4 Lucas Heights Apts. (2.85% to 5.40%), due 2012 - 2042	8,175	8,175	-
2010 Series 5 Grandview Estates (2.00% to 5.25%), due 2012 - 2042	3,531	3,531	-
	505,051	313,601	289,275
Less: Unamortized debt discount	-	(146)	(155)
Add: Unamortized debt premium	-	412	279
Less: Deferred amount on refunding	-	(292)	(344)
	505,051	313,575	289,055
Homeownership Bond – Financed Program			
1995 Series B redeemed in 2011*	30,000	-	1,760
1997 Series C redeemed in 2011*	55,625	-	985
1999 Series I (5.10%), due 2030	5,095	345	375
2000 Series A (5.8% to 7.5%), due 2011 - 2031*	98,135	1,785	2,590
2000 Series B (5.80% to 7.45%), due 2011 - 2031*	70,000	2,615	3,150
2000 Series C (5.30% to 7.15%), due 2011 - 2032*	84,390	4,760	5,370
2001 Series A (4.75% to 6.35%), due 2011 - 2033*	100,000	9,095	10,390
2001 Series B (4.875% to 6.85%), due 2011 - 2033*	70,000	6,965	8,725
2001 Series C (4.40% to 6.23%), due 2011 - 2033*	46,490	7,875	9,575
2002 Series A (4.70% to 6.75%), due 2011 - 2034*	45,000	5,190	6,115
2002 Series B (4.50% to 6.66%), due 2011 - 2034*	80,000	9,980	12,080
2002 Series C (3.75% to 6.00%), due 2011 - 2034*	80,000	15,145	18,255
2003 Series A (4.10% to 5.78%), due 2011 - 2035*	50,000	11,140	14,325
2003 Series B (4.000% to 5.375%), due 2011 - 2034*	78,795	21,050	25,180
2003 Series C (3.75% to 5.35%), due 2011 - 2034*	60,000	20,170	24,580
2003 Series D (3.80% to 5.55%), due 2011 - 2034*	70,000	20,610	25,160
Total forward	1,023,530	136,725	168,615

Missouri Housing Development Commission
Notes to Financial Statements
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	Original Amount Authorized	Outstanding 2011	Outstanding 2010
Total forward	$ 1,023,530	$ 136,725	$ 168,615
Homeownership Bond – Financed Program *(Continued)*			
2004 Series A (3.40% to 5.15%), due 2011 - 2035*	57,280	23,150	27,860
2004 Series B (4.60% to 6.35%), due 2011 - 2035*	60,000	20,200	23,865
2004 Series C (3.95% to 6.00%), due 2011 - 2035*	60,000	21,995	27,085
2004 Series D (3.55% to 5.50%), due 2011 - 2035*	40,000	18,115	21,640
2005 Series A (3.7% to 5.9%), due 2011 - 2036*	54,680	24,394	29,863
2005 Series B (4.0% to 5.8%), due 2011 - 2036*	75,000	32,445	39,610
2005 Series C (3.75% to 5.60%), due 2011 - 2036*	68,000	35,085	41,640
2005 Series D (3.95% to 6.00%), due 2011 - 2036*	50,000	22,195	27,840
2006 Series A (3.85% to 6.00%), due 2011 - 2037*	50,000	22,000	29,415
2006 Series B (4.05% to 6.05%), due 2011 - 2037*	100,000	45,695	60,065
2006 Series C (4.1% to 5.9%), due 2011 - 2037*	60,000	30,310	37,975
2006 Series D (4.95% to 6.15%), due 2011 - 2037*	70,000	30,415	39,540
2006 Series E (5.60% to 5.88%), due 2037*	40,000	18,430	24,430
2007 Series A (4.625% to 6.000%), due 2011 - 2038*	50,000	22,900	30,355
2007 Series B (5.05% to 5.78%), due 2038*	35,000	19,330	23,245
2007 Series C (4.70% to 6.25%), due 2011 - 2038*	100,000	58,170	71,640
2007 Series D (4.70% to 6.38%), due 2011 - 2038*	50,000	24,660	31,895
2007 Series E (4.9% to 5.6%), due 2011 - 2038*	66,000	36,910	47,135
2008 Series A (3.0% to 5.7%), due 2011 - 2039*	50,000	26,935	33,775
2008 Series B (4.00% to 5.75%), due 2011 - 2034*	65,000	37,595	51,310
2008 Series C-1 (5.615%), due 2039*, ***	8,000	5,480	6,944
2008 Series C-2 (4.48%), due 2039*, ***	12,000	6,545	9,262
2008 Series C-3 (5.24%), due 2039*, ***	10,000	6,200	8,683
2008 Series C-4 (5.06%), due 2039*, ***	10,000	6,573	8,539
2009 Series A (1.80% to 5.35%), due 2011 - 2039*	30,000	23,955	29,840
2009 Series B-1 (4.63%), due 2040*, ***	10,000	7,694	9,361
2009 Series B-2 (4.64%), due 2040*, ***	5,000	4,048	4,926
2009 Series C (1.2% to 5.0%), due 2011 - 2036*	40,000	33,665	40,000
2009 Series D (1.0% to 4.8%), due 2011 - 2040*	45,000	40,215	45,000
2009 Series E (variable), due 2041*	260,000	80,000	200,000
2009 Series E-1 (0.75% to 5.00%), due 2011 - 2041*	100,000	93,245	100,000
2009 Series E-2 (0.55% to 4.5%), due 2011 - 2041*	100,000	98,975	-
2009 Series E-3 (0.450% to 4.625%), due 2011 - 2041*	100,000	100,000	-
	2,954,490	1,214,249	1,351,353
Less: Unamortized debt discount	-	(51)	(72)
Add: Unamortized debt premium	-	22,393	26,722
Less: Deferred amount on refunding	-	(724)	(776)
	2,954,490	1,235,867	1,377,227
Total	$ 3,459,541	$ 1,549,442	$ 1,666,282

The proceeds of bond issues denoted by "*" are used to purchase GNMA, Fannie Mae and FHLMC mortgage-backed securities, which are backed by mortgage loans originated through the Commission's loan programs.

The proceeds of bond issues denoted by "**" are used to provide financing for multifamily rental housing projects. These bonds are limited obligation, conduit debt issued by the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower. The total aggregate amount of conduit debt outstanding was $97,618,000 at June 30, 2011, and $99,190,000 at June 30, 2010.

The bond issues denoted by "***" are general obligation bonds. All other bond issues are revenue bonds and conduit debt as described previously.

During the fiscal years ended June 30, 2011 and 2010, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of $2,945,000 and $5,995,000 for the years ended June 30, 2011 and 2010, respectively, on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of deferred bond issuance costs, bond discounts or premiums that would have been amortized over the life of the applicable bond issue if not retired, and call premiums as required by the applicable bond indentures.

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discounts and premiums, follows *(in thousands)*:

Bonds Maturing During Years Ending June 30,	Principal	Interest	Total
2012	$ 48,765	$ 63,675	$ 112,440
2013	24,941	62,486	87,427
2014	21,235	61,772	83,007
2015	20,485	61,128	81,613
2016	22,039	60,420	82,459
2017 - 2021	109,252	290,127	399,379
2022 - 2026	149,891	264,838	414,729
2027 - 2031	177,268	228,888	406,156
2032 - 2036	353,126	178,032	531,158
2037 - 2041	311,193	65,543	376,736
2042 - 2046	281,983	5,389	287,372
2047 - 2051	6,772	188	6,960
2052 - 2056	900	-	900
	$ 1,527,850	$ 1,342,486	$ 2,870,336

In addition to bonds payable at June 30, 2011, the Commission had short-term FHLB advances totaling $15,399,000 and at June 30, 2010, the Commission had short-term FHLB advances and fixed rate notes payable totaling $6,930,000. The short-term FHLB advances included roll-over financings of $2,115,427,000 and $137,102,000 in fiscal years 2011 and 2010, respectively. The principal and interest on the short-term FHLB advances is payable at maturity as follows *(in thousands)*:

Maturity Date	Interest Rate	Principal	Interest	Total
2012	0.24%	$ 15,399	$ -	$ 15,399

Note 6: Escrow Deposits and Rent Subsidies Payable

Escrow deposits represent funds paid by project mortgagees for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the Housing Assistance Programs and for other programs.

Such funds held by the Commission are included in restricted cash, restricted cash equivalents and restricted investments.

Note 7: Restrictions and Designations

Restricted Cash and Investments

Substantially all of the assets of each bond program of the Commission are pledged as collateral for the payment of principal and interest on bond indebtedness of that program. Therefore, all related bond program assets of the Commission that are pledged as collateral are treated as restricted and noncurrent. The obligations of the Commission are not obligations of the State, and the State is not liable for such obligations. The Trust Indentures between the Commission and the Trustees establish special accounts for the segregation of assets and restrictions on the use of bond proceeds and certain other funds received.

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposits in restricted accounts for the various issues

within the Rental Bond-Financed Programs, the Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program.

As of June 30, 2011 and 2010, the assets of all accounts equaled or exceeded the requirements as established by the Trust Indentures. Such assets are restricted as follows (*in thousands*):

	2011	2010
Program and Construction Funds – construction escrows and other restricted funds	$ 86,934	$ 23,077
Mortgage Escrow Accounts – insurance, taxes, replacement reserves and other mortgage escrows	85,056	77,171
Federal Program Funds	1,404	1,078
Missouri Housing Trust Fund	5,457	5,909
Bond Proceeds Accounts – funds for purchase of qualified mortgage-backed securities or mortgage loans and payment of cost of issuance	12,596	18,865
Revenue and Debt Service Funds – program revenues for debt services payments	192,422	331,320
Debt Service and Other Bond Reserve Accounts – reserves held as required by bond indentures, including: debt service reserves, mortgage reserves and capitalized interest	27,680	25,982
	$ 411,549	$ 483,402

Restricted Net Assets

Pursuant to certain bond resolutions, the Commission has restricted the net assets of the Rental Bond-Financed Mortgage Programs, the Rural Growth and Homeownership Bond-Financed Programs and the Special Homeownership Bond-Financed Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, net assets associated with the federal grant agreements of the HOME Investment Partnership Program and Rural Housing and Economic Development are restricted. In fiscal year 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD-purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to State Statute, the Commission has restricted the amount of net assets representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, through loans or grants, the development of housing stock and that provide housing assistance to persons and families with incomes at or below specified levels.

Below is a summary of restricted net assets by bond resolution and State Statute as of June 30, 2011 and 2010 *(in thousands)*:

	2011	2010
Restricted Net Assets		
Restricted by bond resolution	$ 207,682	$ 193,886
Restricted by collateral custodial agreement - FHLB	21,579	21,720
Restricted by Grant Agreement – HOME Investment Partnership Program	152,694	138,957
Restricted by Grant Agreement – Rural Housing and Economic Development	99	154
Restricted by Grant Agreement – TCAP	25,827	11,381
Restricted earnings of HUD-purchased Loans	10,388	9,916
Restricted by State Statute – Missouri Housing Trust Fund	5,343	5,598
Total restricted net assets	$ 423,612	$ 381,612

Commission Designated Net Assets

The Commission has designated certain unrestricted assets for its affordable housing programs. The Commission has the discretion to reverse any designated net assets and as of June 30, 2011 and 2010, has designated the following amounts *(in thousands)*:

	2011	2010
Designated By Commission For		
Tenant assistance	$ 35,764	$ 35,113
Loans not funded by a bond sale	86,723	92,071
Loan commitments not yet disbursed	9,050	7,555
Home Improvement and Multifamily Interest Subsidy Program	5,192	5,391
Single Family Homeownership Program	20,000	20,000
Single Family Tax Credit Advance Loan Program	-	2,617
Single Family Cash Assistance Program	11,854	17,379
Single Family HOPE Program	-	13,015
Single Family Refi Assistance	18	2,830
Bellefontaine Habilitation Center Rehabilitation Grant	6,949	-
Rural Initiative Program	978	969
Total commission designated net assets	$ 176,528	$ 196,940

Note 8: Pension Plan

All eligible Commission employees participate in the Missouri State Employees' Plan (MSEP). This plan is a single-employer public employee defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. The plan is administered by the Missouri State Employees' Retirement System (MOSERS). MSEP provides retirement, death and disability benefits to its members. As established by Missouri State Statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, P.O. Box 209, Jefferson City, Missouri 65102, or on their website at www.mosers.org.

Covered employees hired prior to January 1, 2011, do not contribute toward MSEP. Covered employees hired on or after January 1, 2011, contribute 4% of pretax pay to the MSEP. The employer is required to contribute at an actuarially determined rate. The contribution requirements for the years ended June 30, 2011, 2010 and 2009, was $815,000, $759,000 and $750,000, respectively, of which the Commission contributed 100%. These contributions represent 13.6%, 12.0% and 12.3% of total salaries during 2011, 2010 and 2009, respectively. These contributions are expensed by the Commission when incurred.

The annual required contributions for MSEP for the current year was determined as part of an actuarial valuation of MSEP as of June 30, 2009, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MSEP includes (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0.3% to 3.5% per year for MSEP, depending on age, attributable to seniority and/or merit and (d) the assumption that benefits will increase between 2.56% and 4% per year after retirement. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market returns over a five-year period.

As determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* the Commission has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years.

Note 9: Other Postemployment Benefits

In addition to the retirement benefits described in *Note 8*, the state of Missouri (the "State") provides postemployment health care and life insurance benefits, in accordance with State Statutes, to eligible Commission employees who retire and elect to participate. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). This plan is a single-employer defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for MCHCP. That report may be obtained by writing to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, Missouri 65110-4355, or on their website at www.mchcp.org.

There are currently eleven Commission retirees enrolled for health care benefits. The life insurance benefits are administered by the Missouri State Employees' Retirement System (MOSERS). The eligible number of retirees for MOSERS for life insurance benefits is 35. Health care benefits are funded through both employer and retiree contributions. MOSERS' life insurance benefits are funded through employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For each year of retirees' service, the State will pay 2.5% of the monthly health care premium, up to a maximum of 75%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, during fiscal year 2011, the State assessed a charge that ranged from 3.60% to 4.37% of total employee salary to the Commission. During fiscal year 2010, this charge ranged from 3.60% to 6.99% of total employee salary. The charge assessed is independent of how many retirees the Commission may have receiving benefits. Expenses for postretirement health care benefits charged to the Commission by the State are recognized when incurred. During fiscal year 2011, 2010 and 2009, expenses of approximately $243,000, $290,000 and $262,000 were recognized for postretirement health care benefits, respectively, which represents 100% of the required amount.

Note 10: Commitments, Contingencies and Concentrations

Leases

The Commission rents office space in Kansas City, Missouri, in accordance with a 10-year lease, which is accounted for as an operating lease. At June 30, 2011, this lease included options to extend which expired subsequent to year end.

The Commission rents office space in St. Louis, Missouri, in accordance with a 10-year lease, which is accounted for as an operating lease.

Lease expenditures for the years ended June 30, 2011 and 2010, were $899,000 and $917,000, respectively. Future minimum lease payments for these leases are as follows *(in thousands)*:

Year	Amount
2012	$ 544
2013	290
2014	297
2015	304
2016 - 2017	336
	$ 1,771

Federal Programs

The Commission is also subject to additional audits, as deemed necessary by its federal grantor agencies, of the Commission's grant programs that may result in disallowed costs to the Commission. However, the Commission's management does not believe such audits would result in any disallowed costs that would be material to the Commission's financial position at June 30, 2011.

The Office of Inspector General audited the Commission's Tax Credit Assistance Program (CFDA No. 14.258) and issued reports dated September 10, 2010, and April 1, 2011, that detailed their findings. The findings related to obtaining documents necessary to determine eligibility of requested expenditures under the Davis-Bacon Act, reporting accurate job creation data under the Recovery Act, and disbursing funds for ineligible or improperly documented expenditures.

The Commission has recaptured and returned funds or provided supporting documentation and is waiting for clearance from HUD. The Commission's management does not believe further action will result in disallowed items material to the Commission's financial position at June 30, 2011.

Litigation

From time to time, the Commission may be a defendant in legal actions related to its programs and operations. While the final outcomes of these legal actions vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Commission's financial position.

Other

The Commission is the administrator of the Project-Based Section 8 program in the state of Missouri. This contract, which terminates March 31, 2012, results in over $100,000,000 in housing assistance payment revenue and expense activity annually. This contract may at the option of HUD be extended for up to three additional and successive renewal terms of three months each. It is anticipated that HUD will competitively bid this program administration contract. MHDC expects to submit a proposal in conjunction with this bid process.

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. During May 2011, the Commission's real estate owned property was significantly damaged by a tornado. The debris removal and replacement of the property is adequately insured and no significant loss to the Commission is anticipated. The Commission has not had any other significant insurance settlements in any of the last three years.

The Commission carries commercial insurance for workers' compensation, for which there were no significant insurance settlements in fiscal years 2011 and 2010.

The Commission has committed to mortgage loans funded by the operating fund net assets of $15,256,000 that have not been disbursed as of June 30, 2011.

Economic Conditions

The current protracted economic decline continues to present housing finance agencies with circumstances and challenges, which in some cases have resulted in large fluctuations in the fair value of investments and mortgage-backed securities, declines in investment earnings, constraints on liquidity and some difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Commission.

The Commission is a participant in the financial industry through its ongoing contractual arrangements with financial institutions such as investment banks, commercial banks and investment agreement providers. In the current economic environment, it is possible that a financial institution could have financial difficulty in the near term that could impact its ability to honor its contractual obligations, which could negatively impact the financial condition of the Commission.

Note 11: Subsequent Events

In September 2011, the Commission expanded authorization for the issuance of Treasury New Issue Bond Program (NIBP) Single Family Mortgage Revenue Bonds (Special Homeownership Loan Program) in an aggregate principal amount to not exceed $510,000,000. During fiscal years 2010 and 2011, $380,000,000 of these bonds were issued. The remaining authorized bonds may be issued during fiscal year 2012 and will not exceed $130,000,000 in new Market Bond issuances.

In December 2009, the Commission authorized establishment of a mortgage-backed securities warehousing program and financing with FHLB advances. In fiscal year 2011, the Commission utilized these advances for purchases of mortgage-backed securities for the warehousing program and at June 30, 2011, the Commission had $15,399,000 in outstanding advances. Additional advances, net of pay-downs, were obtained subsequent to year end in the amount of $31,485,000 with the proceeds used to purchase mortgage-backed securities. Further advances are expected to be utilized during fiscal year 2012 and are not expected to exceed $150,000,000 in outstanding advance balances.

In September 2011, the Commission authorized Multifamily Housing Refunding Revenue Bond 2011 Series I to provide funds to refund Multifamily Housing Revenue Bonds Series 1996A Brookstone Village Apartments Project. These refunding bonds are expected to be issued during fiscal year 2012 and will not exceed $7,000,000.

Subsequent to June 30, 2011, the Commission entered into a contract to sell its real estate owned property. The sale is expected to be completed during fiscal year 2012.

Supplementary Information

Missouri Housing Development Commission

Combining Balance Sheet

June 30, 2011

(In Thousands)

	Operating	Rental Bond-Financed Programs	Rural Growth & Homeownership Bond-Financed Programs	Special Homeownership Bond-Financed Program	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 16,642	$ -	$ -	$ -	$ 16,642
Investments	12,472	-	-	-	12,472
Mortgage investments	4,496	-	-	-	4,496
Accrued interest receivable	1,496	-	-	-	1,496
Real estate owned	2,051	-	-	-	2,051
Accounts receivable – other	3,300	-	-	-	3,300
Prepaid expenses	60	-	-	-	60
Total current assets	40,517	-	-	-	40,517
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	21,247	36,890	66,261	98,449	222,847
Investments	74,420	78,835	35,447	-	188,702
Mortgage investments	222,869	308,024	924,482	292,405	1,747,780
Accrued interest receivable	250	1,256	4,318	1,071	6,895
Deferred financing charges	-	75	7,372	2,039	9,486
Accounts receivable – other	694	(694)			-
Total restricted assets	319,480	424,386	1,037,880	393,964	2,175,710
Investments	101,068	-	-	-	101,068
Mortgage investments, net of current portion and allowances for loan losses of $44,362	59,488	-	-	-	59,488
Capital assets, less accumulated depreciation of $2,847	1,295	-	-	-	1,295
Total noncurrent assets	481,331	424,386	1,037,880	393,964	2,337,561
Total assets	$ 521,848	$ 424,386	$ 1,037,880	$ 393,964	$ 2,378,078

	Operating	Rental Bond-Financed Programs	Rural Growth & Homeownership Bond-Financed Programs	Special Homeownership Bond-Financed Programs	Total
Liabilities and Net Assets					
Current Liabilities					
Bonds and notes payable	$ 15,449	$ -	$ -	$ -	$ 15,449
Accounts payable	4,495	-	-	-	4,495
Deferred revenue	1,117	-	-	-	1,117
Total current liabilities	21,061	-	-	-	21,061
Current Liabilities – Payable From Restricted Assets					
Bonds and notes payable	-	31,109	14,386	5,335	50,830
Accrued interest payable	-	4,907	14,149	1,518	20,574
Escrow deposits	19,108	78,204	-	-	97,312
Rent subsidies and other payables	324				324
Accounts payable	-	73	255	-	328
Total current liabilities – payable from restricted assets	19,432	114,293	28,790	6,853	169,368
Noncurrent Liabilities					
Bonds and notes payable	78	-	-	-	78
Deferred revenue	9,188	-	-	-	9,188
Payable from restricted assets					
Bonds and notes payable	-	282,466	846,809	369,337	1,498,612
Total noncurrent liabilities	9,266	282,466	846,809	369,337	1,507,878
Total liabilities	49,759	396,759	875,599	376,190	1,698,307
Net Assets					
Invested in capital assets	1,295	-	-	-	1,295
Restricted	215,930	27,627	162,281	17,774	423,612
Unrestricted	254,864	-	-	-	254,864
Total net assets	472,089	27,627	162,281	17,774	679,771
Total liabilities and net assets	$ 521,848	$ 424,386	$ 1,037,880	$ 393,964	$ 2,378,078

Missouri Housing Development Commission
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
(In Thousands)

	Operating	Rental Bond-Financed Programs	Rural Growth & Homeownership Bond-Financed Programs	Special Homeownership Bond-Financed Program	Total
Operating Revenues					
Interest and investment income					
Income – mortgage investments	$ 7,569	$ 12,476	$ 52,248	$ 6,449	$ 78,742
Income – investments	5,062	620	1,411	238	7,331
Net increase in fair value of investments	(75)	(1,169)	(4,432)	9,200	3,524
Total interest and investment income	12,556	11,927	49,227	15,887	89,597
Administration fees	7,299	-	-	-	7,299
Other income	6,423	213	2,925	24	9,585
Federal program income	216,480	-	-	-	216,480
Total operating revenues	242,758	12,140	52,152	15,911	322,961
Operating Expenses					
Interest expense on bonds	155	9,730	47,827	5,487	63,199
Bond debt expense	89	122	145	22	378
Compensation	8,798	-	-	-	8,798
General and administrative expenses	4,460	-	-	-	4,460
Provision for loan and real estate owned losses	300	-	-	-	300
Rent and other subsidy payments	16,473	-	-	-	16,473
Housing Trust Fund grants	3,635	-	-	-	3,635
Federal program expenses	188,420	-	-	-	188,420
Total operating expenses	222,330	9,852	47,972	5,509	285,663
Change in Net Assets	20,428	2,288	4,180	10,402	37,298
Net Assets, Beginning of Year	448,587	26,031	160,977	6,878	642,473
Interfund Transfers	3,074	(692)	(2,875)	493	-
Net Assets, End of Year	$ 472,089	$ 27,627	$ 162,282	$ 17,773	$ 679,771

Missouri Housing Development Commission

Real Estate Owned – Oak Meadows

Balance Sheet

June 30, 2011

Current Assets		
Cash - operations	$	46,034
Tenant accounts receivable		60,488
Total current assets		106,522
Tenant deposits held in trust		13,416
Restricted Deposits and Funded Reserves		
Escrow deposits		73,193
Replacement reserve		178,070
Total deposits		251,263
Fixed Assets		
Land		200,000
Buildings		1,851,168
Total fixed assets		2,051,168
Miscellaneous other assets		2,648,071
Total assets	$	5,070,440
Current Liabilities		
Accounts payable - operations	$	109,365
Accounts payable - other		2,643,195
Accrued property taxes		9,393
Miscellaneous current liabilities		5,687
Prepaid revenue		29,281
Total current liabilities		2,796,921
Tenant deposits held in trust (contra)		13,416
Total liabilities		2,810,337
Unrestricted net assets		2,260,103
Total liabilities and net assets	$	5,070,440

Missouri Housing Development Commission

Real Estate Owned – Oak Meadows

Statement of Revenues, Expenses and Changes in Net Assets

Periods Ending June 30, 2011 and 2010

	Month Ended June 30, 2010	Twelve Months Ended June 30, 2011	Thirteen Months Ended June 30, 2011
Rent revenue - gross potential	$ 10,535	$ 128,370	$ 138,905
Tenant assistance payments	57,710	592,346	650,056
Rent revenue/insurance	-	49,456	49,456
Total rent revenue	68,245	770,172	838,417
Apartments - vacancies	-	95,450	95,450
Loss to lease	-	9,164	9,164
Total vacancies	-	104,614	104,614
Net rental revenue (rent revenue less vacancies)	68,245	665,558	733,803
Financial revenue - project operations	156	(145)	11
Total financial revenue	156	(145)	11
Laundry and vending revenue	-	(116)	(116)
Tenant charges	1,329	13,835	15,164
Cable TV/internet access revenue	-	32	32
Miscellaneous revenue	-	2,667,886	2,667,886
Total other revenue	1,329	2,681,637	2,682,966
Total revenue	69,730	3,347,050	3,416,780
Management consultants	10,123	16,670	26,793
Advertising and marketing	-	1,042	1,042
Office expenses	1,556	14,848	16,404
Management fee/bookkeeping/accounting services	3,236	34,256	37,492
Manager or superintendent salaries	3,118	26,283	29,401
Legal expense - project	1,152	(355)	797
Audit expense	15,738	(8,996)	6,742
Telephone expense	791	5,035	5,826
Bad debts	31	26,089	26,120
Miscellaneous administrative expenses	27	1,125	1,152
Total administrative expenses	35,772	115,997	151,769
Electricity	2,495	34,959	37,454
Water	23,101	32,914	56,015
Gas	13,264	43,592	56,856
Sewer	411	5,035	5,446
Total utilities expense	39,271	116,500	155,771
Total expenses carried forward	75,043	232,497	307,540

Missouri Housing Development Commission

Real Estate Owned – Oak Meadows

Statement of Revenues, Expenses and Changes in Net Assets

Periods Ending June 30, 2011 and 2010

	Month Ended June 30, 2010	Twelve Months Ended June 30, 2011	Thirteen Months Ended June 30, 2011
Balance Carried Forward	$ 75,043	$ 232,497	$ 307,540
Payroll	5,013	70,716	75,729
Contracts	15,245	29,551	44,796
Garbage and trash removal	3,048	23,419	26,467
Heating/cooling repairs and maintenance	33,107	8,679	41,786
Snow removal	-	4,925	4,925
Vehicle and maintenance equipment operation and repairs	75	925	1,000
Exterminating	1,155	4,621	5,776
Vacant unit preparation	48,123	166,071	214,194
Miscellaneous operating and maintenance expenses	-	2,643,361	2,643,361
Total operating and maintenance expenses	105,766	2,952,268	3,058,034
Real estate taxes	8,200	18,158	26,358
Payroll taxes (project’s share)	956	10,221	11,177
Property and liability insurance (hazard)	6,358	81,986	88,344
Workmen's compensation	261	3,453	3,714
Health insurance and other employee benefits	-	4,460	4,460
Miscellaneous taxes, licenses, permits and insurance	331	294	625
Total taxes and insurance	16,106	118,572	134,678
Total cost of operations	196,915	3,303,337	3,500,252
Change in unrestricted net assets	$ (127,185)	$ 43,713	$ (83,472)

Previous year unrestricted net assets	$ -
Change in unrestricted net assets	(83,472)
Other changes in unrestricted net assets	2,343,575
Unrestricted net assets	$ 2,260,103

Missouri Housing Development Commission

Real Estate Owned – Oak Meadows

Statement of Cash Flows

For the Period June 1, 2010 through June 30, 2011

Cash Flows From Operating Activities		
Rental receipts	$	736,964
Interest receipts		11
Other operating receipts		31,016
Administrative		(22,246)
Management fee		(37,492)
Utilities		(155,771)
Salaries and wages		(130,408)
Operating and maintenance		(255,372)
Real estate taxes		(16,510)
Property insurance		(141,953)
Miscellaneous taxes and insurance		(455)
Other operating expenses		(2,894)
Net cash provided by operating activities		4,890
Cash Flows From Investing Activities		
Net deposits to reserves		(251,263)
Net cash used in investing activities		(251,263)
Cash Flows From Financing Activities		
Contributions		292,407
Net cash provided by financing activities		292,407
Increase in Cash		46,034
Cash, Beginning of Period		-
Cash , End of Period	$	46,034
Noncash Activities		
Contribution of rental property	$	2,051,168
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Decrease in net assets	$	(83,472)
Increase in tenant accounts receivable		(60,488)
Increase in accounts receivable - other		(2,594,462)
Increase in prepaid expenses		(53,609)
Increase in cash restricted for tenant security deposits		(13,416)
Increase in accounts payable		2,752,560
Increase in accrued liabilities		15,080
Increase in tenant security deposits in trust		13,416
Increase in prepaid revenue		29,281
Net cash provided by operating activities	$	4,890